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UNCLAS TEL AVIV 001646

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

PM Olmert's Resignation Announcement

Key stories in the media:

All media led with PM Ehud Olmert's public announcement last night that he has decided not to contend in the Kadima primary election and would resign as soon as the new party leader was chosen, due to the criminal investigations in which he has been embroiled in recent months. Banners in Ha'aretz: "Olmert: I have Decided to Step Down"; Yediot: "The Right Step"; Maariv and the ultra-Orthodox Hamahane

Haharedi: End of the Olmert Age;" The Jerusalem Post: "Olmert, Bitter but Dignified, Says He'll Quit"; Israel Hayom: "Olmert Leaves the Stage"; and Makor Rishon-Hatzofe: "Olmert: 'I'll Quit my Post'; and the Shas mouthpiece Yom Leyom: "Olmert Broken." "I have decided I won't run in the Kadima movement primaries, nor do I intend to intervene in the elections," Olmert was quoted as saying. "When a new [Kadima party] chairman is chosen, I will resign as prime minister to permit them to put together a new government swiftly and effectively," he added. However, Ha'aretz reported that senior Kadima officials predicted that in reality, Olmert is likely to continue as PM for up to six more months since neither of the two leading contenders to succeed him -- FM Tzipi Livni and Transportation Minister Shaul Mofaz -- has much of a chance of setting up a new coalition to replace the one Olmert now heads. In that case, new Knesset elections would have to be called, probably in late February or early March, which in turn would mean that Olmert would remain head of a transition government until a new government is formed after those elections. Ha'aretz reported that senior members of Kadima's main coalition partner, the Labor Party, echoed this assessment, even though they noted that their party chairman, Defense Minister Ehud Barak, has an interest in postponing elections, as he is not currently doing well in the polls.

Israel Radio quoted Livni as saying that Olmert had made a personal decision that was not easy and that his decision was the right one. Minister Livni said in Washington that Kadima must behave in the coming elections in a way that will maintain its unity and ability to lead Israel. The radio quoted Mofaz as saying that if elected Kadima chairman he will strive to organize as broad as possible a coalition.

Leading media reported that Olmert called President Bush just before his announcement. Israel Radio quoted Deputy White House Press Secretary Gordon Johndroe as saying that Bush intends to work closely with Olmert until that time, and that he wishes him well. Johndroe was quoted as saying that Bush has appreciated Olmert's friendship, leadership and work for peace. The radio quoted State Department Spokesman Sean McCormack as saying that the U.S. is "going to continue working on the basis on which we've worked."

Israel Radio quoted a Hamas spokesman as saying that Olmert's step is a harsh blow to those who have chosen to negotiate peace with Israel. The radio quoted PA President Mahmoud Abbas as saying that he will work with any Israeli PM. Israel Radio quoted an announcer on Hizbullah's Al Manar-TV as saying that the top of the pyramid that led the Second Lebanon War has fallen.

Israel Radio reported that Olmert's police interrogation tomorrow will focus on his dealings with the Rishon Tours travel agency,

Ha'aretz and The Jerusalem Post reported that yesterday an 18-year-old Palestinian was critically wounded by a rubber bullet shot by Israeli forces in the West Bank village of Na'alim. Yediot reported that the IDF's Judge Advocate General is likely to indict the officer and the soldier who were involved in the shooting a Palestinian youth with a rubber bullet at short range three weeks ago.

Media reported that yesterday the Knesset's State Control Committee voted to establish a state commission of inquiry into the government's handling of the resettlement of settlers evacuated from Gaza and then northern West Bank in the disengagement of 2005. The Jerusalem Post reported that the World Bank team managing the feasibility studies of the Red Sea-Dead Sea canal organized a public meeting on Wednesday to hear the Israeli public's views on the controversial project.

Mideast:

Summary:

Diplomatic correspondent Aluf Benn wrote on page one of the independent, left-leaning Ha'aretz: "The disappointment of the public as a result of the [Second Lebanon] War only became deeper as the corruption cases turned into an avalanche."

Veteran journalist and anchor Dan Margalit wrote on page one of the independent Israel Hayom: "What Olmert promises in Israel's name from now on through his departure is negligible and practically inexistent."

Diplomatic correspondent Maya Bengal wrote in the popular, pluralist Maariv: "[Olmert] will make a massive effort to attain a significant diplomatic achievement, which will help somewhat to soften the image that has been created in connection with him."

The conservative, independent Jerusalem Post editorialized: "Olmert, in departure, has mercifully spared Israel the shameful potential ignominy of having a prime minister indicted while in office."

Block Quotes:

II. "Failing Grades"

Diplomatic correspondent Aluf Benn wrote on page one of the independent, left-leaning Ha'aretz (7/31): "The abductions [of IDF soldiers by Hamas and Hizbullah] transformed [Olmert] from being Sharon's successor, who intended to continue the process of disengagement, into the leader of a nation at war. Olmert failed this test three times: in the appointment of Amir Peretz as defense minister, in his rushed decision to embark on the Second Lebanon War, and in his decision to continue the war that had lost its point after the first strike of fire. The helplessness of the government during the war and the serious shortcomings in the conduct of the army, wore down the meager popularity of Olmert. The public was tired of him, and did not want his leadership, even when he tried to lead the country in a different direction. The irony is that Tzipi Livni and Shaul Mofaz, who are contending to be his successors, offered him ways out during the war. Livni suggested avoiding an escalation and bringing the offensive to an end a few days after it had started; Mofaz suggested an operation that may have saved Israel the frontal assault and spared the many casualties in the final week of the war. The disappointment of the public as a result of the war only became deeper as the corruption cases turned into an avalanche."

II. "Olmert's Trick Prevented His Disgrace "

Veteran journalist and anchor Dan Margalit wrote on page one of the independent Israel Hayom (7/31): "[Olmert] had two achievements that he can chalk up to his name.... He was fully responsible for the attack of the nuclear installation in Syria and for an absolute success: the parade of world leaders who arrived in Israel for its 60th anniversary celebrations. This was his diplomatic achievement in an era when efforts were made to isolate Israel. What other achievements was he talking about? The total failure of the Second Lebanon War, starting from its very first day, in which he demonstrated neither resolve nor perseverance, until the unsuccessful prisoner swap with Hizbullah? His declaration about the uprooting of Hamas until the foot-dragging and the humiliating conditions that are accompanying [the process of] Gilad Shalit's release? Just yesterday [Olmert] woke up to an amazing headline: his partner Abu Mazen threatens to dismantle the Palestinian Authority if Olmert releases Hamas's Parliament members.... [Olmert's] announcement [on Wednesday] makes clear to the world that he no longer is the address for agreements -- neither in the Israeli-Palestinian arena, not in negotiations with Syria. While Damascus is waiting for the swearing-in of a new American president on January 0, 23009, it will also have to wait for Kadima's September 17, 2008 primaries. What Olmert promises in Israel's name from now on through his departure is negligible and practically inexistent."

III. "Goal: To Leave the Stage with a Diplomatic Achievement"

Diplomatic correspondent Maya Bengal wrote in the popular, pluralist Maariv (7/31): "Those who know Ehud Olmert know that he does not plan to leave his bureau in Jerusalem as a failed prime minister.... In other words, Olmert plans to leave behind a legacy. In the window of opportunity that is left to him at least a month, half a year at the most -- he will make a massive effort to attain a significant diplomatic achievement, which will help somewhat to

soften the image that has been created in connection with him. Waiting on Olmert's desk are four burning diplomatic issues: the release of kidnapped soldier Gilad Shalit from Hamas, a peace agreement with the Palestinians, moving the negotiations with Syria from an indirect to a direct track with American involvement, and the thwarting of Iran's nuclear program.... It should be noted that from the legal perspective, he retains all the authority of a prime minister, even after his resignation in September. If there is a breakthrough on one of these issues, Olmert will be able to depart from his position as prime minister, at least in his opinion, with a proud demeanor. However, Olmert faces a difficult problem, should he actually try to implement far reaching diplomatic moves: chances are that he will be accorded neither public nor political legitimacy to do so. But Olmert will at least be able to advance diplomatic issues, even if they are not brought for a decision by the cabinet or the Knesset, which will remain to be dealt with by the person who takes his place."

IV. "Olmert, a Dignified End"

The conservative, independent Jerusalem Post editorialized (7/31): "In the end, it was a dignified acknowledgement of an untenable reality.... Olmert, in departure, has mercifully spared Israel the shameful potential ignominy of having a prime minister indicted while in office. And while this newspaper has argued that he should have stepped down after the failures of the Second Lebanon War, and that he was further compromised by the demands on his attention necessitated to fight for his good name, it has also been our consistent contention that there should be no rush to judgment as regards the corruption allegations. His announced intention to step down, therefore, serves to underline how high are the stakes when a serving prime minister is investigated for alleged criminal offenses."

MORENO